

EIA's Clean Power Investment Workshop – Session 3: Project Financing, Access to Funds, Managing Risks in Electricity Projects

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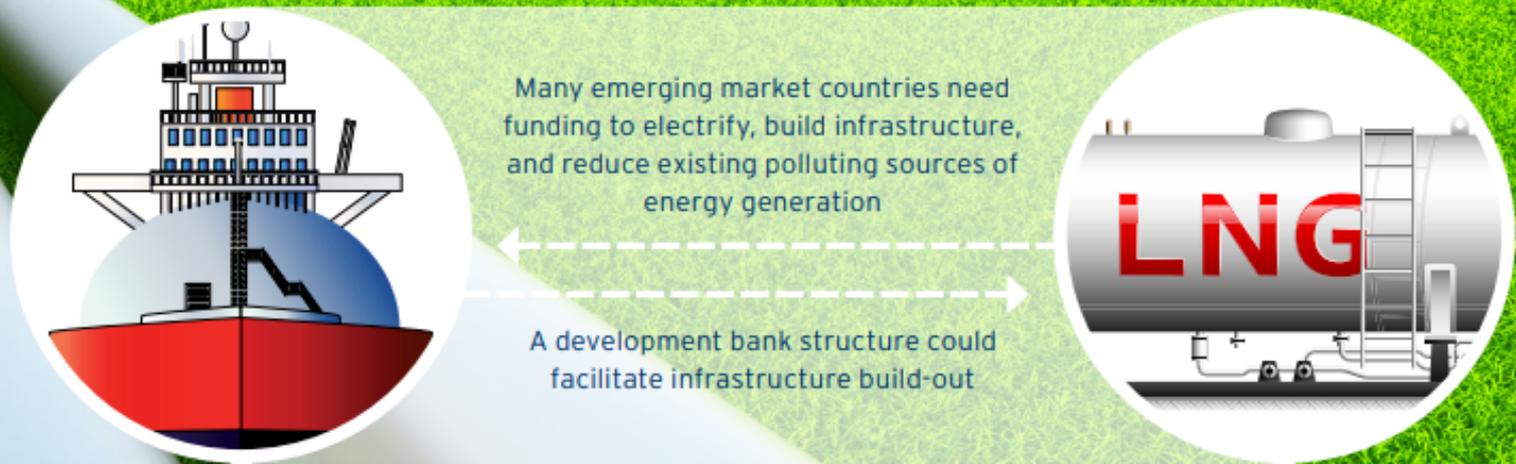
Critical Issues

- **Lessons from the first crisis of the Energy Transition, 2021:**
 - Natural Gas Prices Hit Record levels because of (1) too rapid and thoughtless deregulation of power markets; and (2) Forgetting the 3 Rs, which are especially critical when it comes to clean (interruptible) energy: Reliability, Resilience and Redundancy: The Storage Conundrums and Who Pays
- **7 Major Issues for Securing Private Financing**
 - 1. Building Bridges – Public Sector involvement**
 - a. Demand Uncertainty
 - b. Supply Uncertainty
 - 2. Cost across the value chain – How to deal with changing costs**
 - 3. Risks of Substitution – Unpredictability of costs, when thermal gets a lot cheaper**
 - 4. Technology Risks (at Scale) – What if scale doesn't pan out ?**
 - 5. Infrastructure Requirements – Who pays?; Hubs, Competition, Long Haul**
 - 6. Regulatory Structure**
 - 7. Dispute Settlement Arrangements**
- **Governments Play a Major Role**
 - **Supporting “Bridge Building”** (hydrogen hubs being a recent example)
 - **Indirect Initiatives** (subsidies, regulatory, infrastructure support, facilitation of offtakers)
 - **Direct Support** (guarantees, offtakes, feed-in tariffs; preferential taxation, transparency for end-users)
- **Types of Financing** (major obstacles in today's environment with growth headwinds, Russia/Ukraine risks)
 - Equity Funding (private and public), Corporate Debt (sustainability bonds), Project Financing

Multilateral Banks, Fostering Natural Gas, Critical to Energy Transition

ADOPTING A CONSUMER STRATEGY TO POSITION NATURAL GAS

Co-developing supply, midstream, and demand projects could facilitate the use of gas as a transition fuel on the demand side, build infrastructure that could help with a future hydrogen economy, and make use of the gas resource. Gas producers pooling together via a 'development bank' structure could help solve the 'chicken-and-egg' problem between demand and infrastructure.



Source: See Citi Global Perspectives and Solutions, *Natural Gas: Powering Up the Energy Transition*, (July 2021)



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